

What's next?

Spotlighting the SA property sector in 2020 & beyond



With 2020 coming to a close, there are questions on everyone's mind as to what to expect. With lockdown level 1 being eased, life is returning to a new sense of normal. Businesses are reallocating budgets in-line with the expectations of the new year. François Viruly, professor and head of the Urban Real Estate Research Unit (URERU) at UCT, has given a perspective on the state of our property industry in both the short-term and longer-term.

Recent market commentary on the South African property sector has focused on the impact of changing Covid-19 related-work practices and the impact that e-retailing will have on the retailing sector. While Covid-19 potentially provides us with a preview of long-term trends in the property sector, it is equally important to consider some of the shorter-term trends affecting the sector.

Well before the uncertainties associated with Covid-19 started to impact the South African property markets, market players had been responding to a poorly performing macro-economic environment. Weakening property market fundamentals included rising office vacancy rates and lacklustre rental increases.

MSCI total returns data suggest that property returns declined from 16.1% in 2013 to 7.9% in 2019. Net income escalation also gradually declined from approximately 10% in 2007 to below 3% in 2019. MSCI vacancy rates similarly edged

upwards, reaching an average of 13% in the office sector, 5% in the retail sector and 4.6% in the industrial sector.

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As South Africa entered the Covid-19 lockdown in the first quarter of 2020, property owners started to deal with a range of new dynamics which entailed finding solutions with appropriate balance between investor and tenant needs. Added to this, property owners have come under growing pressure to revalue properties reflecting new market realities such as lower rental escalations, higher vacancy rates and rising long-bond rates.

Taking a longer-term view, the sector will be responding to international and national property trends. These include a growing demand for neighbourhood shopping centres, co-working space, and a rapidly developing e-retailing environment.

Neighbourhood shopping centres are expected to benefit from changing working habits driven by working at, or close

to home. This will fundamentally alter the character of the built environment of our suburbs by improving the mix of home, work and play.

The demand for co-working space means that property owners will place a greater emphasis on facilities management with property space increasingly being seen as a service. The e-retailing environment will offer new opportunities in the logistic sector, including real estate that deals with the "last mile" of the e-retailing value chain.

While the South African commercial property sector experienced downturns in the recent past, the present scenario is different, in the sense that its length rather than depth, is expected to affect the structure of sector. In 2021 property owners will remain focused on managing existing stock and managing market fundamentals, with supply and demand gradually moving back into equilibrium. The priority will be on the stabilisation of vacancy rates, rental income and property values.

Quoin Online is ready for the new year and has a few exciting and upcoming projects in the pipeline. But first a reflection on what we achieved. In March 2020, we launched our Rentals platform that was added to our already well-known Sales platform on our transactional website, www.quinonline.co.za.

With lockdown being implemented, we delayed the launch

of the Rentals platform and focused on Sales, as well as our marketing campaign for our new system. When businesses started returning to work, we ensured our products are well received. Now with our client base growing, we can say that slowly but surely, the property industry is adopting the technological tools to create more efficiency and productivity.

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Quoin Online has launched the second series of our thought leadership project which is partnered with URERU to give perspectives by property professionals.

The new year faces many unknown challenges. We are certain that the property industry will only be able to offer new products to the market, be it flexible leasing or new types of investor pooling models or smart residential, with the support of proptech.

SOURCES Quoin Online & URERU



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